

**Oral Statement  
Andrew C. Hove, Jr.  
Acting Chairman  
Federal Deposit Insurance Corporation  
before the  
Committee on Banking and Financial Services  
United States House of Representatives  
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Mr. Chairman and members of the Committee, thank you for the opportunity to discuss the efforts of the Federal Deposit Insurance Corporation (FDIC) to implement the Government Performance and Results Act of 1993 (Results Act). The FDIC strongly supports the Act.

The Results Act applies the principles of sound business management to the Federal government. These principles include setting goals through long-range strategic and annual operating plans, measuring outcomes or results of operations, and comparing operating results to planned performance.

I came to government from the private sector, where, as a manager for more than 30 years, I witnessed these principles in action, and I used them myself. They make organizations more effective and efficient.

Even before the Results Act went into effect, the FDIC followed business management principles, and we are proud of our planning accomplishments. Recently, we have slightly modified the formatting of our planning and performance measurement initiatives to meet the requirements of the Results Act.

The FDIC has drafted a Corporate Strategic Plan and an Annual Performance Plan. We also have developed a performance reporting process that captures our progress in meeting the goals and objectives in both the Strategic Plan and the Performance Plan. My written testimony covers each of these areas in detail, as well as the FDIC's efforts to consult with Congress and with our stakeholders, such as insured depository institutions, and the public, regarding our Strategic Plan.

I submit that written testimony for the record, and today I will briefly touch on several of its highlights.

In the mid-1980s, the FDIC developed a Quarterly Status Report, reviewing corporate performance in key areas, such as the timeliness and the cost of performing bank examinations.

Beginning in 1990, the FDIC required each division and office in the Corporation to compile a business plan in conjunction with their budget request.

Each business plan included goals and measurable objectives. Divisions and offices were required to report quarterly on the performance of these objectives.

In 1992, we began developing a strategic planning process. Following the banking crisis of the late 1980s and early 1990s, we undertook a comprehensive planning effort to review our mission. One of the results of this process was our placing a greater emphasis on evaluating, monitoring, and addressing risks in the banking system.

Our Strategic Plan, which was approved by the Board in 1995, incorporated this new focus and produced a number of key initiatives at the Corporation.

In 1996, the FDIC established its first Annual Performance Plan -- originally referred to as the Corporate Business Plan at the FDIC -- which sets out steps to achieve the goals and objectives of the Strategic Plan. In 1997, we began a quarterly reporting and review process whereby the Chairman and senior FDIC management discuss and evaluate the performance results relative to the Annual Performance Plan.

Our efforts to comply with the Results Act incorporate these and other earlier initiatives. The final version of our Strategic Plan and the 1998 Annual Performance Plan will be submitted to the Office of Management and Budget (OMB) and the Congress by September 30, in accordance with the Results Act.

Since 1995, implementation of the Strategic Plan has resulted in cost savings throughout the FDIC, and those savings are projected to continue.

For example, the corporate downsizing effort, a key strategic initiative over the past two years, was accomplished largely through two buyout programs, which are projected to result in net savings of \$133.1 million.

In conclusion, I am pleased to report that the FDIC is not only well positioned to meet the statutory requirements of the Results Act, but has been implementing strategic planning and performance measurement well in advance of the statutory timetable.

The FDIC believes that our planning and budgeting processes have significantly strengthened the management and operations of the Corporation, in addition to providing substantial cost savings. The only programs we fund at the FDIC are those contained in the Strategic Plan and the Annual Performance Plan. We look forward to continuing to achieve such results over the next several years.

Mr. Chairman, that concludes my testimony. I would be happy to respond to any questions.

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